

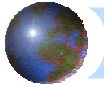
## *City of Sugar Land Recommended Budget for FY2004/2005 and Future Outlook*

Filed July 27, 2004



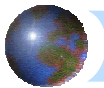
## *Effective Management of Budget and Finances*

- Sound Fiscal Management
  - Financial Management Policy Statements
  - Long-Range Financial Planning
  - Annual Budget
- Recognized by S&P with five other cities for strong credit factors
  - Diverse Local Economy
  - Diverse Revenue Stream and Tax Base
  - Conservative Management
  - Healthy Reserve Levels



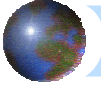
## *Effective Management of Budget and Finances*

- Bond Rating
  - Moody's Aa3
  - Fitch AA
  - S&P AA-
- Rating is based on four basic analytical areas
  - Economic Base
  - Financial Indicators
  - Debt
  - Management Factors
- Reflects the City's healthy local economy and strong wealth indicators, access to the Houston MSA employment base, and sound financial performance and fiscal management policies, including reserve levels and funding of pay-as-you go projects



## *Effective Management of Budget and Finances*

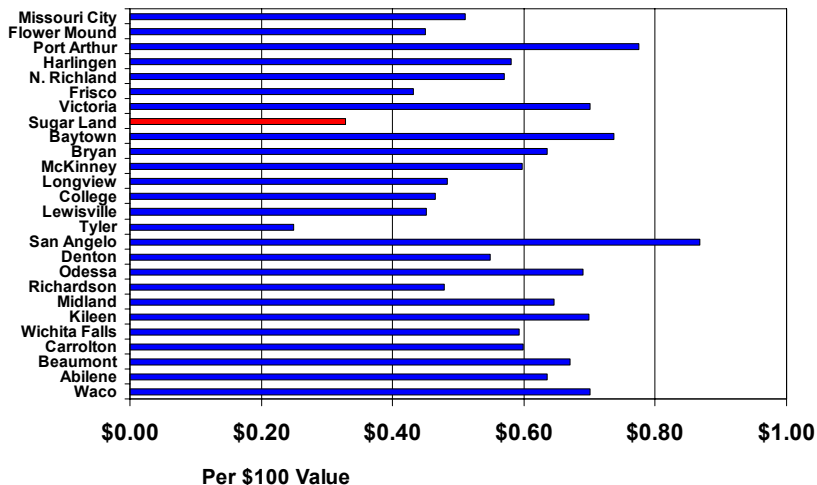
- Exceeded City's commitment in 1999 voter referendum
- Manage cost of services with no tax rate increase
  - No tax rate increase since fiscal year 1993
- Continue to enhance services that further Council goals
  - Commercial growth (property and sales tax) assists in funding
  - Tax Rate capacity assists in funding
- Preserve current service levels, manage base budget responsibly
- Strong financial and operational position in the future

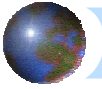


## *Effective Management of Budget and Finances*

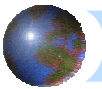
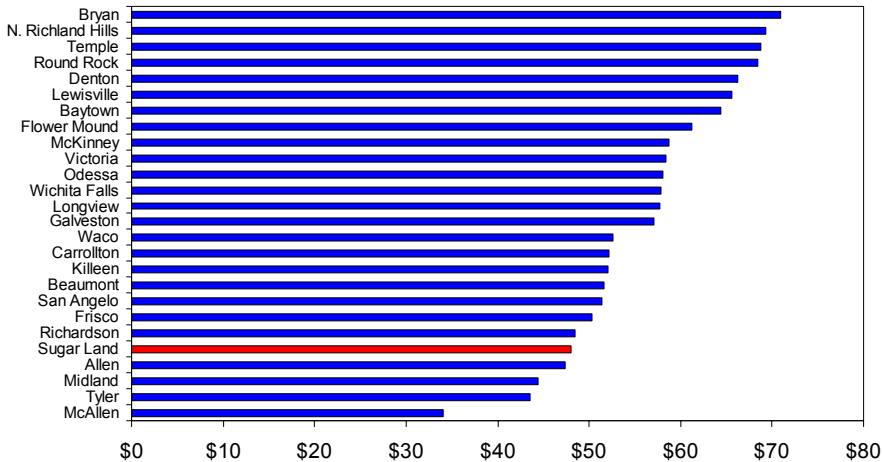
- Airport successful and self-supporting
- Development and determination of User Fee Policy

## *TML Property Tax and Debt Survey – 2003/2004 Tax Rate*



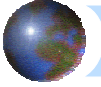


## *TML Water/Wastewater 2004 Rate Survey – Average Bill (10,000 gallons)*



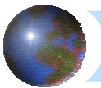
## *Budget Development Guidelines*

- City Mission, City Goals
- Legal Requirements
- Identify gaps and priorities in meeting goals
  - Strategic & Departmental Planning
- Financial Health
  - Build on Financial Strengths
  - Minimize Financial Challenges
- Financial Management Policy Statements



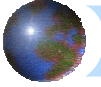
## *Budget Development Guidelines*

- Build a budget to serve an estimated population of 70,098
- Services
  - Protect Core Services
  - Identify priority core service weaknesses
- Unfunded Mandates
- Manage Growth of Base Budget
- Select Service Enhancements



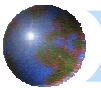
## *Fiscal Year 2005 Budget*

- Is Goal Oriented
- Is Forward Thinking
- Is Responsive
- Is Resourceful (maximizes all available resources)
- Meets the needs of the community and demands for service
  - Preserves current service levels
  - Funds new and enhanced services
  - Provides adequate funding
- Is Structurally Balanced



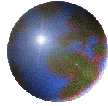
## *Fiscal Year 2005 Budget*

- Totals \$116.4 million, including capital projects
- Increase of 16.2% over FY2004 adopted budget
- Increase attributable to an aggressive capital improvement program period that the City continues to be in
- Components of Increase
  - Operating 8.83%
  - CIP 48.21%



## *Cost of Government*

- The “Community of Choice”
  - Demand for Services
  - Demand for Quality
- Cost of Government is going up
  - Satisfied within existing resources
    - Tax Base Growth
    - Effective use of all resources
    - Reallocation of Resources
  - Little additional burden on taxpayers
- Average Cost of Government to Citizens not going up more than inflation costs
  - Effective tax rate + 3%
  - Utility rate increase 3%
  - June CPI for Houston MSA 4.2%



## *Key Elements*



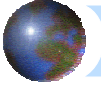
## *Tax Rate*

● Current Tax Rate	\$.32840
● Proposed Tax Rate	\$.32568
● Effective Rate + 3%	\$.32568
■ Based on preliminary tax roll	

### ● Impact to Average Homeowner

■ 2003 Average Value	\$202,096
■ 2004 Average Value	\$208,907

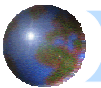
■ 2003 Tax Levy	\$647
■ 2004 Tax Levy	\$664
■ Dollar Increase	\$ 17
■ % Increase	2.6



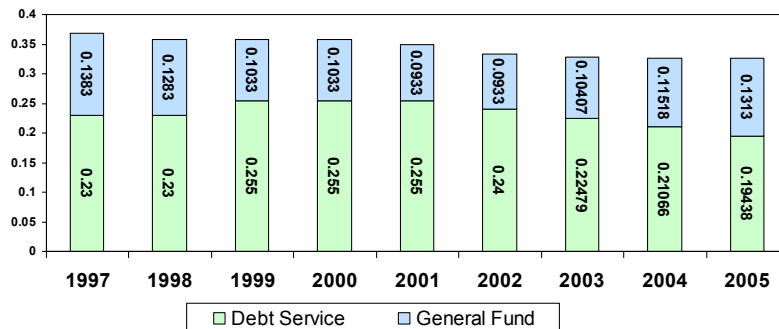
## Over-Age and Disabled Persons Exemption

### Over-Age and Disabled Persons Exemption

Current	\$62,754
Proposed	\$64,870
Annual Impact to City	\$16,500
Offset to Tax Bill	
• Based on Current Exemption	\$204
• Additional Due to Increase	\$ 7
• Total	\$211

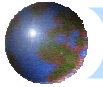


## Historical Tax Rate Split FY1997 - FY2005



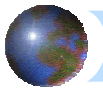
Tax Rate Split:	1997	%	2005	%
Operations	\$0.1383	38	\$0.1313	40
Debt Service	\$0.2300	62	\$0.19438	60





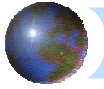
## Base Budget

- Maintain Current Services and Service Levels  
(provide for tomorrow what we do today)
- General Fund Base Increase                      \$1.92M                      5.42%
  - 4.5 Positions
    - Risk Manager
    - Traffic Technician
    - Resource Manager - Fire
    - Prosecutor (contractual service to employee)
    - Part-Time Clerk
  - Compensation and Benefits
  - Fuel, Electricity, Insurance
  - Contract Increases



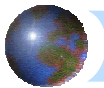
## Base Budget

- Utility Fund Base Increase                      \$387,000                      4.6%
  - BRA Wastewater Treatment Plant Contract
  - Electricity
  - One position to maintain service levels
    - Customer Service Technician
- Airport Fund Base Increase                      \$773,000                      19.5%
  - Fuel Purchases due to increased volume
  - 4 positions to maintain service levels
    - Two Line Crew
    - One Customer Service Representative
    - One Administrative Secretary



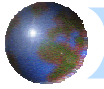
## *Enhancements*

- New Services
- Expanded or Enhanced Services
- Services or service levels not currently provided
  
- Examples
  - Drainage
  - Enhanced Public Safety Services
  - US59
  - Operating Impacts of completed CIP projects



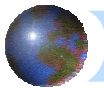
## *Drainage*

- New core service
- City will take a more active role in the planning and implementation of projects
- Operating costs of NPDES
- FY2005 Drainage CIP \$1.6 million
- Funding Source
  - No funding source
  - Capacity within current tax rate to set aside 1 cent to fund capital projects and operations now and in the 5-year plan
  - Results of pending Drainage Master Plan and studies may yield projects beyond 1 cent capacity, requiring additional funding needs



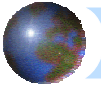
## Police

- New organizational structure to maximize operations, management supervision, internal communications, and accountability.
  - Three bureau organization to four
- Storefront on north side
- FY2005 Fiscal Impact
  - Recurring \$ 841,231
    - 11 positions
      - 5 Working Supervisors
      - 3 Support Personnel
      - 3 Management
    - (Consistent with previous three-year staffing plan and management study)
  - Non-Recurring \$ 303,264



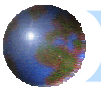
## Police

- Anticipated Outcomes and Return on Investment
  - Improved Supervision
  - Improved Accountability
  - Enhancing Training
  - Improved Management
  - Other
    - Enhancing communications with all stakeholders
    - Improving Efficiency
    - Improving Visibility



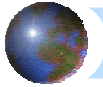
## *Other Enhancements- Recurring Costs*

● Operating Impact of CIP	\$492,900
■ US59 ROW Maintenance	
■ Parks	
■ City Facilities	
■ Roadway expansions	
■ Includes 2.5 positions	
● Street Sweeping	\$100,000
● EMT-I Program Expansion	\$ 26,800
● US Customs	\$140,000



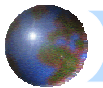
## *Compensation (salary and benefits)*

- Philosophy
  - Recognize the value of our employees
  - Pay on a competitive basis
  - Recognize performance and reward employees for exemplary work
  - Look at total compensation through applying and reviewing the benefits burden in conjunction with base compensation



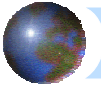
## *Compensation (salary and benefits)*

- Pay for Performance
  - Average Merit 4%
- Premium Increase
  - Medical 15%
  - Dental 4%
- Retirement
  - 25 year to 20 year retirement
  - Minimal Impact \$50,000
  - Recruit and retain a championship workforce
- Benefit Burden
  - Policy 40.00%
  - Estimated FY2005 37.36%



## *Capital Improvement Program*

- \$25.7 million Capital Improvement Program
- Continues significant capital improvement investment in all facets
- Maximizes use of all available resources and leverages funding
- Funding
  - Cash, including other funding sources 36%
  - Debt 64%
    - General Obligation Bonds
    - Certificates of Obligation – Drainage
    - Certificates of Obligation - Airport
    - Utility Revenue Bonds



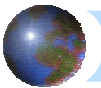
## Personnel Additions

### New positions:

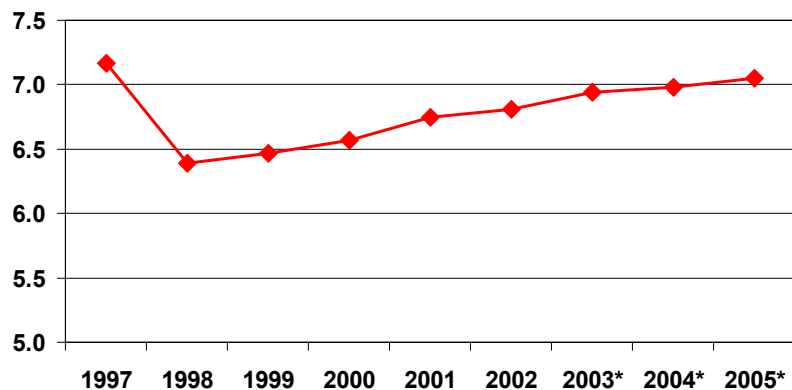
General Fund- Base	4.5
General Fund – New	15.5
• Police	11
• Other Depts.	4.5
Utility Fund	2
Airport Fund	4

### Employees per 1,000 Residents

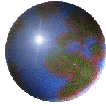
FY2005 Recommended Budget	7.10
FY97 Employees per 1,000	7.17



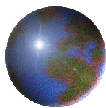
## Employees per 1,000 Residents



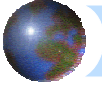
\*Excludes 12 firefighters for Fire Station #6



*The City is able to fund base services, add and expand existing services, purchase equipment, pay for an aggressive capital improvement program, and lower the tax rate with little additional burden to the taxpayer/resident, all furthering City Council goals*

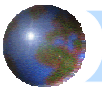


*Future Outlook*



## *Future Outlook*

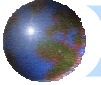
- Today's decisions affect our future
- Long range plans prepared for all major funds for management, planning, and strategic decisions
- Future finances remain strong ensuring healthy financial and operating position
- 1999 Bond Referendum \$34.5 million
  - Commitment not to exceed current tax rate \$.3583
  - Exceeded commitment \$.32568
  - Have been able to absorb operating impact



## *Future Outlook*

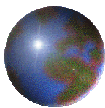
- Five-Year CIP \$112 million
- Future Bond Referendum
  - \$5.3 million with unidentified funding sources
  - Does not include outcome of master plans such as Parks, Facilities, Hike & Bike, Drainage
- Drainage
  - 1-cent on the tax rate identified for Drainage
  - Results of studies and Master Plan may require additional funding in the future



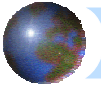


## *Future Outlook*

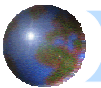
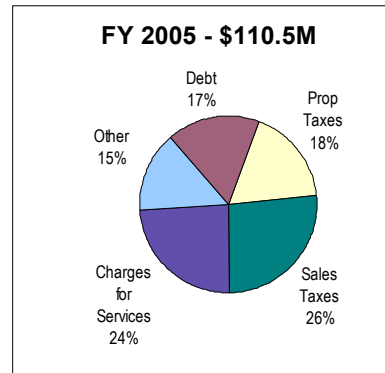
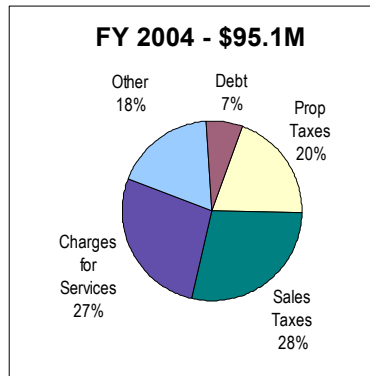
- Tax Rate
  - Manage the cost of services within the existing tax rate – tax rate flat
  - Continues reallocation of the tax rate to operations
  - May have capacity in future years
    - Bond Referendum
    - Reduce Tax Rate
- Small Utility rate increases annually
- Dependent upon assumptions
  - Conservative Budgeting
  - Aggressive Implementation of CIP
  - Outcome and impact of future Legislative session
  - Purchasing Companies
- Identify and employ strategies



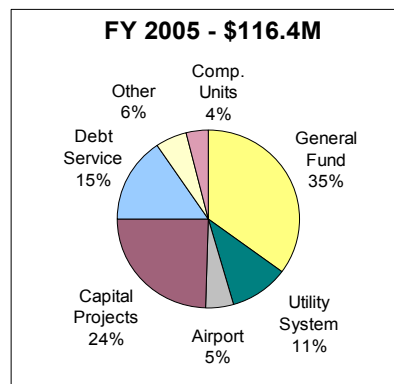
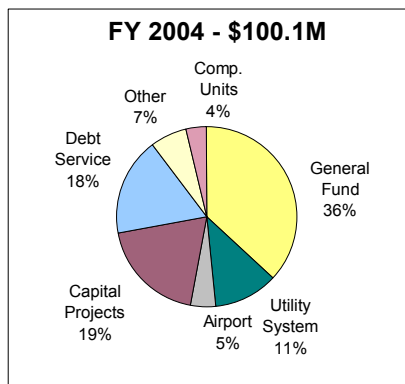
## *Financial Summary* *Fiscal Year 2004/2005*

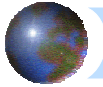


## Combined Revenues

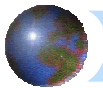


## Combined Expenditures





Fund	2004 Adopted Budget	2005 Proposed Budget	% Change
General	\$ 36,087,957	\$ 39,799,919	10.3%
Debt Service	17,188,993	17,497,211	1.8%
Utilities	10,985,511	12,126,469	10.4%
Airport	4,449,707	5,579,919	25.4%
Solid Waste	2,659,404	2,708,081	1.8%
Component Units	3,618,979	4,576,580	26.5%
Other	6,435,085	6,326,135	-1.6%
<b>Sub-Total Operating</b>	<b>81,425,636</b>	<b>88,614,314</b>	<b>8.83%</b>
All Capital Projects	18,745,500	27,781,842	48.2%
<b>Total Budget</b>	<b>\$ 100,171,136</b>	<b>\$ 116,396,156</b>	<b>16.20%</b>



## *Property Tax Base Value*

### *Excluding TIRZ Value – Preliminary Roll*

2003 Adjusted Net Assessed Value      \$5.66 billion

2004 Preliminary Net Assessed Value      \$5.96 billion

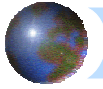
Increase in Value      \$ 298 million

% Increase      5.27%

Net Commercial      \$129 M      44%

Net Residential      \$174 M      58%

Net Automobiles      \$-5.8 M      - 2%



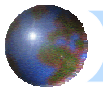
## Tax Base Value Comparison

*Excluding TIRZ*

	<u>2003 Adj.</u> <u>Value</u>	<u>2004 Prelim.</u> <u>Value</u>	<u>% change</u>
Residential	3,905,730,797	4,083,328,882	4.55%
Commercial	2,109,320,767	2,219,959,763	5.25%
Auto	<u>31,620,475</u>	<u>37,163,950</u>	17.53%
Total AV	6,046,672,039	6,340,452,595	4.86%
Abatement	(143,264,329)	(124,177,054)	-13.32%
Exemptions	<u>(240,889,877)</u>	<u>(255,603,597)</u>	6.11%
Net Assessed Value	5,662,517,833	5,960,671,944	5.27%

Total Value (excluding TIRZ)

Residential/	64.59% Res	64.40% Res
Commercial Split	34.88% Com	35.01% Com



## Valuation Increase (Preliminary Tax Roll)

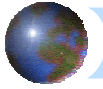
	Auto	Res	Comm	Total
New Value	\$ (5.9)	\$ 42.7	\$ 39.8	\$ 76.6
Revaluation		131.6	89.9	221.5
TIRZ			62.7	62.7

⊕ Avg. Revaluation % to 2003 assessed values

Residential	3.37%
Commercial	4.26%
Total	3.9%

⊕ Over-65 and Disabled Exemption:

■ Current	\$62,754
■ Proposed	\$64,870

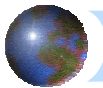


## Property Tax Rate

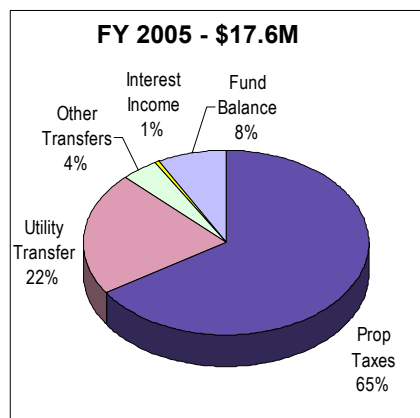
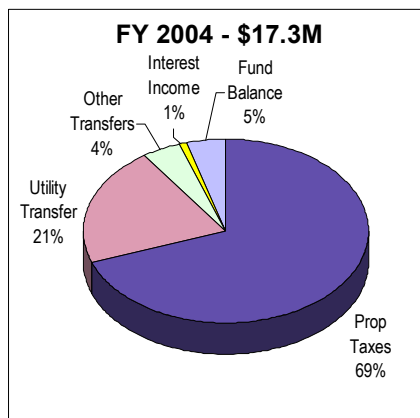
Current Tax Rate	\$0.32840
Proposed Tax Rate	\$0.32568
Tax Rate Calculations (Preliminary)	
Effective Tax Rate	\$0.31619
Effective Tax Rate + 3%	\$0.32568
Rollback Rate	\$0.32568

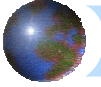
• Tax rate allocation:

	<u>Current</u>	<u>%</u>	<u>Proposed</u>	<u>%</u>
General Fund	\$0.11588	35	\$0.13130	40
Debt Service	<u>\$0.21252</u>	65	<u>\$0.19438</u>	60
	\$0.32840		\$0.32568	



## Debt Service Funding Sources





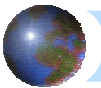
## Debt Service Fund Assumptions

### Revenues

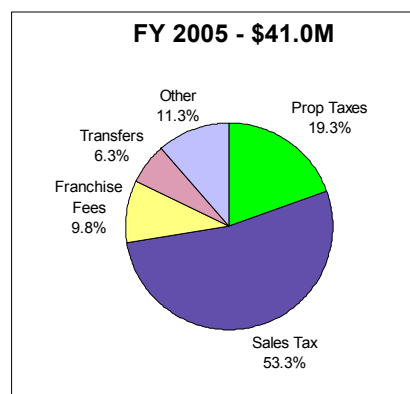
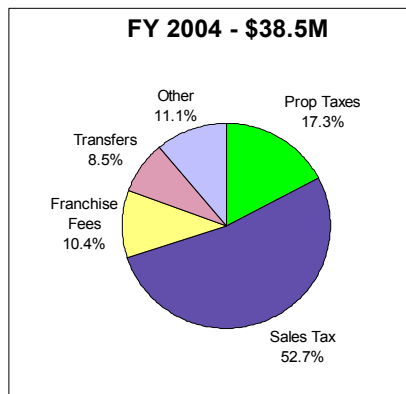
- Debt Service Tax Rate \$0.19438
  - Reallocate \$0.01542 of tax rate to General Fund
  - Reduce DS component of tax rate by \$0.00272
- Increase Utility Transfer to 60% of annexed water/wastewater requirements

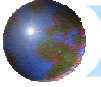
### Expenditures

- Annual Debt Requirements
  - Existing \$16.6 million
  - New Debt \$ 0.2 million
- Planned drawdown of fund balance \$1.4 million

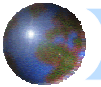
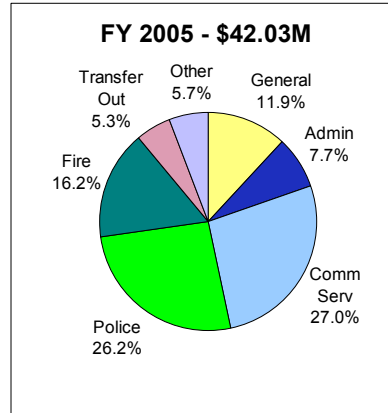
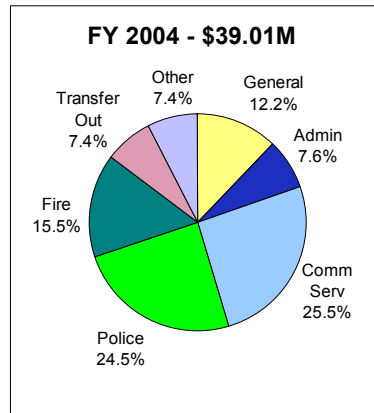


## General Fund Revenues

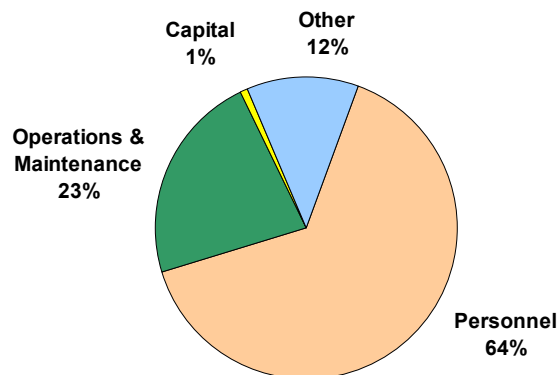


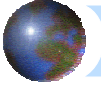


## General Fund Expenditures



## General Fund- Total Expenditures by Type





## *General Fund Assumptions*

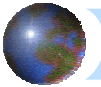
### ● Revenues

■ Sales Tax base growth	4.27%
■ User Fee Increases	\$249,000
■ O&M tax rate increased by	\$0.01542

### ● Expenditures

- Balance needs of the community to further City Goals
  - Manage base budget
  - Preserve existing service levels
  - New/ Enhanced Services

### ● Fund Balance drawdown of \$ 950,000

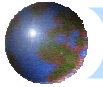


## *General Fund- Total Increase*

### ● Total Increase \$3.05 million

Base Recurring Increases	\$ 1,921,400
Recurring Enhancements	1,943,200
Transfers/Other	(661,000)
Non-Recurring Change	(152,600)
Total Increase	<hr/> \$ 3,051,000



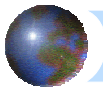


## *General Fund Recurring Base Budget*

- Total base recurring operating increase over FY04 adopted budget of \$1,921,429 or 5.4%

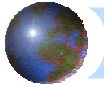
- Significant drivers

■ Personnel Costs	\$ Impact
• Average Merit 4%	720,000
• Full Year Impact of Personnel	45,000
■ Benefit Costs	
• Medical 15% / Dental 4%	328,000
• TMRS / Workers Compensation	232,000
■ Personnel Additions (4.5)	154,000
■ Electricity/ Fuel	211,000
■ Contractual/ Insurance Increases	150,000
■ Other Increases	81,000



## *General Fund - New / Enhanced Services - Recurring*

- Enhancements total \$1.94 million
  - Accounts for 5.5% of the operating increase
- Police Reorganization \$ 841,200
- Drainage Management 28,000
- Expand EMT-I Program 26,800
- Street Sweeping 100,000
- Operations of Completed CIP Projects 492,900
  - New Facilities
  - ROW Maintenance/New Roadways
  - Parks
- Park & Recreation Programs 64,000



## *Utility Fund Assumptions*

### Revenues

- Rate increase effective March 2005 – 3%

### Expenditures

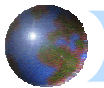
- Operating expenditures 3.9% increase from fiscal year 2004 original budget
  - Increase in BRA contract and electricity
  - 2 new positions
- Debt Service transfer increased by \$220,265 from a 55% recovery to a 60% recovery

CIP Total \$9,871,000

Pay as You Go \$ 973,000

Increase to DS \$ 650,000

Drawdown of Balance \$1.4 million



## *Airport Fund Assumptions*

### Revenues

- Estimated Fuel Sales 2,160,000 Gallons
- Level with actual 2004, which includes Super Bowl
- 8% increase over FY2004 budgeted sales
- No rate increase

### Expenditures

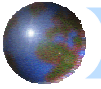
- Corresponding increase in gallons purchased
- US Customs, to be funded through a pending third party agreement for 18 months
- 4 additional positions

CIP Total \$5,445,000

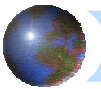
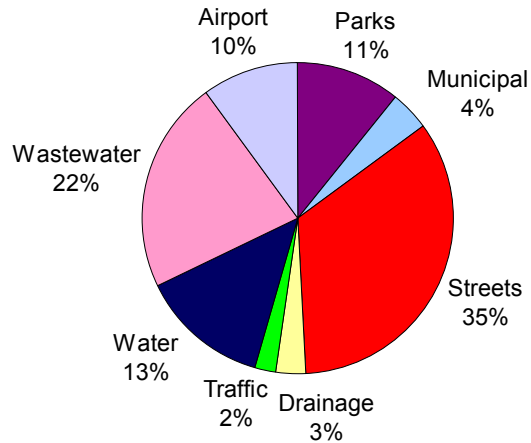
Pay As You Go \$275,000

Increase in DS \$400,000

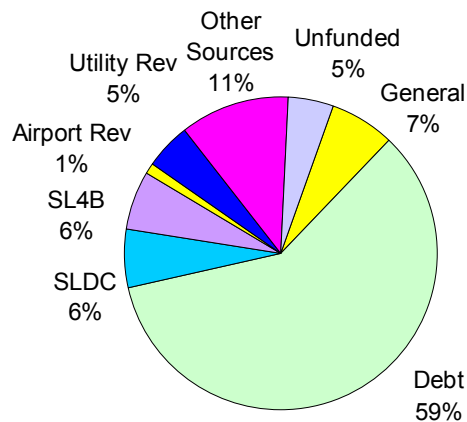
Drawdown of balance \$46,000

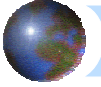


## Five Year CIP Uses \$ 112M



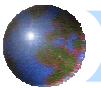
## Five Year CIP Funding Sources \$112M



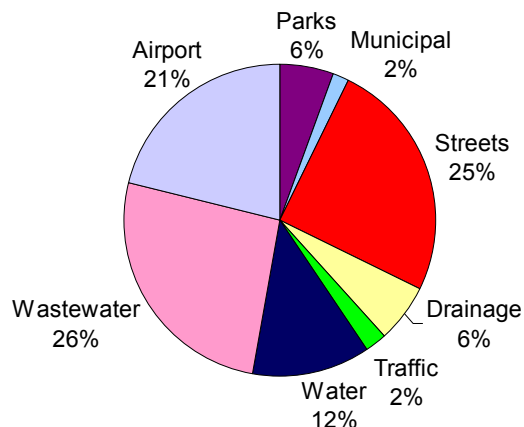


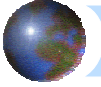
## Major Capital Projects

- Utilities and T-Hangars at Airport
- US59 Phase III
- Parkland Acquisition – Newland
- Brazos River Corridor
- Recreation Center
- Fire Station Replacement
- Street Reconstruction
- Woodchester Water Well Replacement
- Elevated Storage Tank
- South System Water Plant Expansions
- Treatment Plant Expansion and Upgrades
- Collection System Rehabilitation
- Regional WW Conveyance System

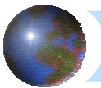
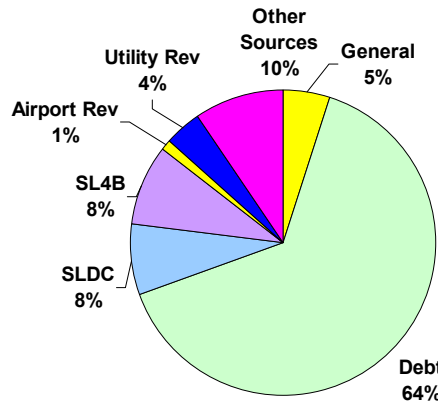


## FY2005 Capital Projects Uses \$ 25.7M



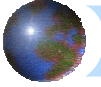


## *FY2005 Capital Projects Funding Sources \$25.7M*



## *Major Capital Projects*

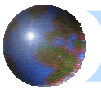
- Airport Terminal
- US90A Widening
- Parkland Acquisition
- Brookside / Belknap Drainage
- Ditch H & Brooks Lake Diversion
- SLRSS Plant Rehabilitation
- SLRSS Treatment Capacity Purchase
- Annual Rehabilitation Projects



## *Sugar Land Development Corporation*

- ✚ Board approved a recommended budget on July 14, 2004
- ✚ Filed budget reflects change in capital project funding

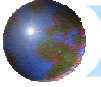
Total Budget	\$4,951,033
Debt Service	1,022,625
Incentive Grants	292,572
ED Incentives	1,000,000
Texas Energy Center	100,000
Capital Projects	1,995,136
ED Program	154,952



## *Sugar Land 4B Corporation*

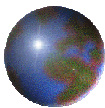
- ✚ Board approved a recommended budget on July 7, 2004
- ✚ Filed budget reflects change in capital project funding

Total Budget	\$3,782,542
Debt Service	1,653,779
Incentive Grants	292,572
Capital Projects	2,186,066
ED Program	45,296



## *Budget Calendar – 7:30 am*

- July 29 Long Range Plans
- Aug 2 Property Tax, Debt Service
- Aug 3 First Reading Ordinance on Over-65 and Disabled Persons Exemption
- Aug 5 & 9 General Fund
- Aug 12 CIP
- Aug 16 CIP
- Aug 17 (6pm) Public Hearing on Budget  
Second Reading on Ordinance
- Aug 19 Utility, Solid Waste, Airport
- Aug 23 Other Funds & Compensation
- Aug 26 Follow Up
- Sept 7 Adopt Budget and Tax Rate



## *Fiscal Year 2004/2005 Recommended Budget*

July 27, 2004